

## Message Text

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ORIGIN OPIC-06

INFO OCT-01 NEA-10 ISO-00 EB-07 COME-00 TRSE-00 AID-05  
/029 R

DRAFTED BY OPIC/GC:CFLIPMAN  
APPROVED BY EB:IFD: OIA: RJSMITH  
OPIC/T: TCLEGG  
OPIC/GC: RSTERN  
OPIC/GC: CHUNT (INFO)  
EB/IFD/OIA: DHSTEBBING  
NEA:DARCHARD

-----160510Z 086338 /15

R 160118Z JUN 77  
FM SECSTATE WASHDC  
TO AMEMBASSY DACCA

UNCLAS STATE 139404

FROM OPIC

E.O. 11652: N/A

TAGS: EINV

SUBJECT: BELBAGCO

REF: (A) DACCA 2896 (B) DACCA 3092

1. OPIC REQUESTS THAT FOLLOWING LETTER BE EXECUTED BY  
DOUGLAS ROBERTSON AFTER THE SIGNATURE BLOCK ON THE FOLLOW-  
ING TEXT, AND DELIVERED TO JAINUL ABEDIN. BEGIN TEXT:

MR. JAINUL ABEDIN  
JOINT SECRETARY, NATIONALIZED INDUSTRIES DIVISION  
MINISTRY OF INDUSTRIES  
SHILPA BHADBAN, MOTIGHELL COMMERCIAL AREA  
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DACCA 2, BANGLADESH

RE: CLAIM OF OPIC/BELBAGCO

DEAR MR. ABEDIN:

OVERSEAS PRIVATE INVESTMENT CORPORATION ("OPIC") THANKS

YOU FOR YOUR LETTER OF MARCH 25, 1977, OFFERING TO SETTLE THE CLAIM OF OPIC/BELBAGCO. WE HAVE NOW STUDIED YOUR LETTER AND THE DATA WE RECEIVED MAY 27, 1977 AND

TAKE THIS OPPORTUNITY TO STATE OUR ASSESSMENT OF THE CLAIM.

ASSUMING APPROPRIATE ARRANGEMENTS TO PROTECT OPIC AND BELBAGCO AGAINST ANY LIABILITY OF BANGLADESH FABRICS LTD., WE BELIEVE THE PROPER AMOUNT OF COMPENSATION TO BE PAID BY THE GOVERNMENT OF BANGLADESH IS U.S. DOLLARS 1.6 MILLION IN PRINCIPAL AMOUNT, REPRESENTING THE FAIR VALUE AT THE TIME OF THE 1972 NATIONALIZATION OF THE SHAREHOLDER INTEREST IN THE ASSETS OF BANGLADESH FABRICS LTD. (FORMERLY PAKISTAN FABRICS LTD.), NET OF ALL LIABILITIES OF BANGLADESH FABRICS LTD.

AS INVESTMENT IN BANGLADESH FABRICS LTD. WAS MADE IN U.S. DOLLARS (AND IN EQUIPMENT PURCHASED WITH FOREIGN EXCHANGE), BY INVESTORS WHO ARE NOT RESIDENTS OF BANGLADESH

COMPENSATION MUST BE COMPUTED AS OF THE DATE OF NATIONALIZATION AND MADE PAYABLE IN U.S. DOLLARS IN ORDER TO MAKE COMPENSATION "ADEQUATE" AND "EFFECTIVE" UNDER INTERNATIONAL LAW STANDARDS.

ALTHOUGH WE HAVE NOT BEEN ABLE TO RECONCILE CERTAIN DIFFERENCES BETWEEN OUR FINANCIAL RECORDS OF BANGLADESH FABRICS LTD. AND THOSE FORWARDED BY YOU, WE BELIEVE THE U.S. DOLLARS 1.6 MILLION AMOUNT IS SUPPORTED BY OUR TAKA UNCLASSIFIED

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ACCOUNTING RECORDS (TRANSLATED INTO U.S. DOLLARS BY STANDARD ACCOUNTING TECHNIQUES) AND REPRESENTS FAIR COMPENSATION FOR THE LOSS SUSTAINED BY THE INVESTOR. WE NOTE THAT THIS AMOUNT REFLECTS REDUCTION OF SHAREHOLDER'S EQUITY FOR WAR DAMAGE TO BANGLADESH FABRICS LTD. ASSETS PRIOR TO NATIONALIZATION.

THERE IS ONE ITEM OF DIFFERENCE READILY APPARENT IN YOUR ASSESSMENT OF THE CLAIM WHICH WE PARTICULARLY WISH TO CALL TO YOUR ATTENTION. BY OFFERING COMPENSATION AT CLAIMED NET BOOK VALUE OF BANGLADESH FABRICS LTD., IN THAT AMOUNT OF TAKAS APPLICABLE MORE THAN FIVE YEARS AGO, THE FIXED ASSETS ARE, IN EFFECT, DEVALUED BY REASON OF LOCAL CURRENCY DEVALUATION. SINCE THE VALUE OF FIXED ASSETS ARE NOT AFFECTED BY FLUCTUATIONS IN THE VALUE OF LOCAL CURRENCY, STANDARDS OF INTERNATIONAL LAW REQUIRING COMPENSATION FOR THE TAKING OF SUCH ASSETS IN THE AMOUNT OF THE REAL ECONOMIC VALUE AT THE TIME OF NATIONALIZATION COMPEL A DIFFERENT METHOD OF COMPUTATION. SIMILARLY, THE

COMPUTATION OF COMPENSATION FOR INVENTORIES SHOULD NOT BE AFFECTED BY CURRENCY FLUCTUATIONS. IN DETERMINING THE VALUE OF FIXED ASSETS AND INVENTORIES, WE TRANSLATED THE HISTORICAL LOCAL-CURRENCY STATEMENT OF THE COST OF

THESE ITEMS TO U.S. DOLLARS UTILIZING THE EXCHANGE RATE IN EFFECT WHEN THE ITEMS WERE ACQUIRED BY THE ENTERPRISE - 4.76 RUPEES TO U.S. ONE DOLLAR. OF COURSE, FIXED ASSETS WERE APPROPRIATELY ADJUSTED FOR DEPRECIATION. AGAIN, TECHNICAL QUESTIONS OF ACCOUNTING TREATMENT ASIDE, WE BELIEVE THE AMOUNT OBTAINED IS CLEARLY FAIR TO YOUR GOVERNMENT.

ALTHOUGH, AS STATED ABOVE, COMPENSATION SHOULD BE STATED AND PAID IN U.S. DOLLARS, WE WOULD BE WILLING TO CONSIDER ACCEPTING PAYMENT IN THE TAKA EQUIVALENT OF THE U.S. DOLLAR AMOUNT AT THE TIME OF PAYMENT TO THE EXTENT THAT UNCLASSIFIED

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SUCH TAKAS COULD THEN BE USED BY THE U.S. EMBASSY TO BANGLADESH OR OTHER U.S. GOVERNMENT AGENCIES. (WE NOTE THAT THE EXCHANGE OF LETTERS BETWEEN THE GOVERNMENT OF BANGLADESH AND OPIC OF JANUARY 17 AND 20, 1975 WITH RESPECT TO BANGLADESH FABRICS LTD., WHILE OF COURSE NOT REQUIRING OPIC TO ACCEPT COMPENSATION IN TAKAS, PERMITS THE UNITED STATES TO USE IN BANGLADESH ANY COMPENSATION IN TAKAS WHICH OPIC CHOOSES TO ACCEPT.)

WE WOULD LIKE TO DEVELOP A SETTLEMENT AGREEMENT BETWEEN THE GOVERNMENT OF BANGLADESH AND OPIC FOR PAYMENT OF THE FOREGOING AMOUNT IN FINAL SETTLEMENT OF ALL COMPENSATION CLAIMS AGAINST THE GOVERNMENT OF BANGLADESH BY OPIC AND BELBAGCO, INC. WITH RESPECT TO BANGLADESH FABRICS LTD. PLEASE LET US HAVE YOUR COMMENTS ON THIS PROPOSAL, AFTER WHICH WE WOULD LIKE TO SEND AN OPIC REPRESENTATIVE TO DACCA TO COMPLETE A SETTLEMENT AGREEMENT WITH YOU.

OVERSEAS PRIVATE INVESTMENT CORPORATION

BY: CHARLES F. LIPMAN  
SENIOR COUNSEL END TEXT

2. FYI WE HOPE TO ELICIT SUFFICIENT COMMENTS ON THIS PROPOSAL TO ASSESS THE POSITION WE CAN EXPECT THE BDG TO TAKE. END FYI.

3. WE ARE AWAITING RECEIPT OF THE AUDITED ACCOUNTS REFERRED TO PARA 2 REF B TO COMPLETE OUR ACCOUNTING REVIEW.

4. THANK YOU AGAIN FOR YOUR ASSISTANCE. CHRISTOPHER

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NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** NATIONALIZATION, CLAIMS, COMPENSATION  
**Control Number:** n/a  
**Copy:** SINGLE  
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**Decaption Date:** 01-Jan-1960 12:00:00 am  
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**Enclosure:** n/a  
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**Message ID:** eec37c7b-c288-dd11-92da-001cc4696bcc  
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**Original Handling Restrictions:** n/a  
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**Original Previous Handling Restrictions:** n/a  
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**TAGS:** EINV, BG, BELBAGCO INC  
**To:** DACCA  
**Type:** TE  
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**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009